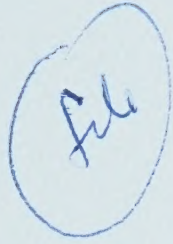


AR31



FIFTY-THIRD

ANNUAL REPORT

FOR THE TWELVE MONTHS
ENDED DECEMBER 31, 1966

ONTARIO STEEL PRODUCTS COMPANY, LIMITED



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ONTARIO STEEL PRODUCTS COMPANY, LIMITED

Directors

Carl B. Black
O. D. Cowan
Brian Heward
R. A. Kingston, Q.C.
B. H. Rieger
Walter F. Rockwell
V. W. Scully
R. G. Wingerter

Executive Officers

O. D. Cowan, Chairman of the Board and President
R. B. Carson, Vice-President and Secretary Treasurer
I. F. Flemming, General Manager
Miss Gay Sampson, Assistant Secretary

Transfer Agent

The Royal Trust Company, Toronto
The Royal Trust Company, Montreal

Registrar

National Trust Company Limited, Toronto
National Trust Company Limited, Montreal

Bankers

Bank of Montreal
Canadian Imperial Bank of Commerce

Auditors

Ernst & Ernst

Head Office: Toronto

Divisions:

Gananoque
Oshawa
Chatham
Milton

BOARD ROOM

Report
of the
Board
of Directors
to the Shareholders

YOUR DIRECTORS have pleasure in submitting herewith the 53rd Annual Report on the consolidated operations of your Company and subsidiaries for the twelve month period ended December 31st, 1966, together with the Consolidated Balance Sheet, Earnings and Retained Earnings Statements, Statement of Source and Use of Funds and your Auditors' Report thereon.

Record sales of \$47,043,234 were achieved, resulting in record net earnings of \$2,511,403 or \$3.10 per common share, as compared to net earnings of \$2,314,238 or \$2.86 per common share for the previous year. Depreciation written in the year was \$1,003,915 and last year amounted to \$840,748. Working capital increased by \$183,792 and at year end amounted to \$8,901,519. All Departments and Plants of the Company operated profitably during the year. Last quarter results were adversely affected by a strike at a plant of one of our principal customers.

Expenditure on capital equipment amounted to \$1,148,295 the largest single item being the installation of a new 1000 ton bumper forming press at Chatham at a cost of \$344,000. The balance of capital funds was spent throughout various Divisions of the Company to increase capacity and up-date equipment and processes. A 8,000 sq. ft. addition costing \$40,600 was constructed at Lacolle, Quebec, to provide additional manufacturing and storage space.

The regular dividend of 7% per annum was declared and paid to holders of preferred shares. Total dividends declared on the common shares during the year 1966 amounted to \$1.15 per share.

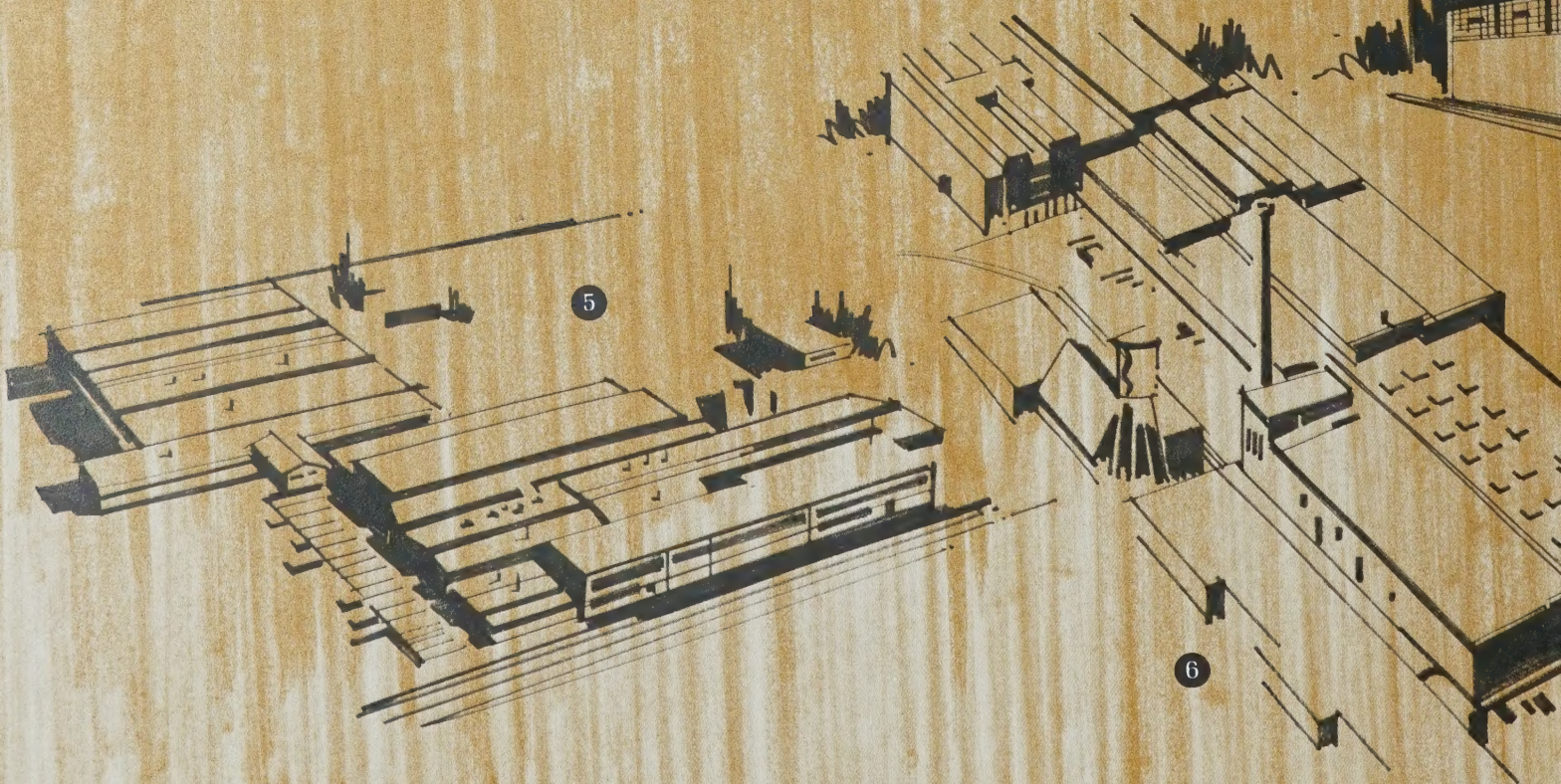
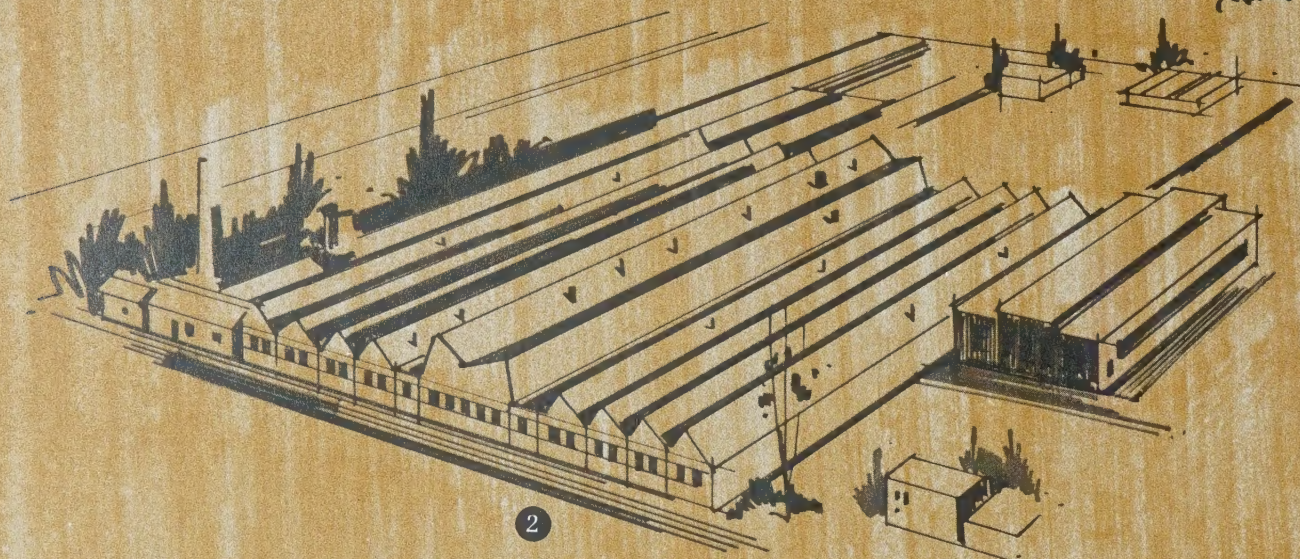
While the downturn in sales of automotive products has resulted in some production cutbacks, the plants of your company are currently operating at a satisfactory level and the general outlook remains favourable.

The continued support and co-operation we have received from our customers and suppliers is gratefully acknowledged and the loyal efforts of officials and employees of the Company are greatly appreciated.

January 10, 1967

On behalf of the Board of Directors,

O. D. COWAN
President

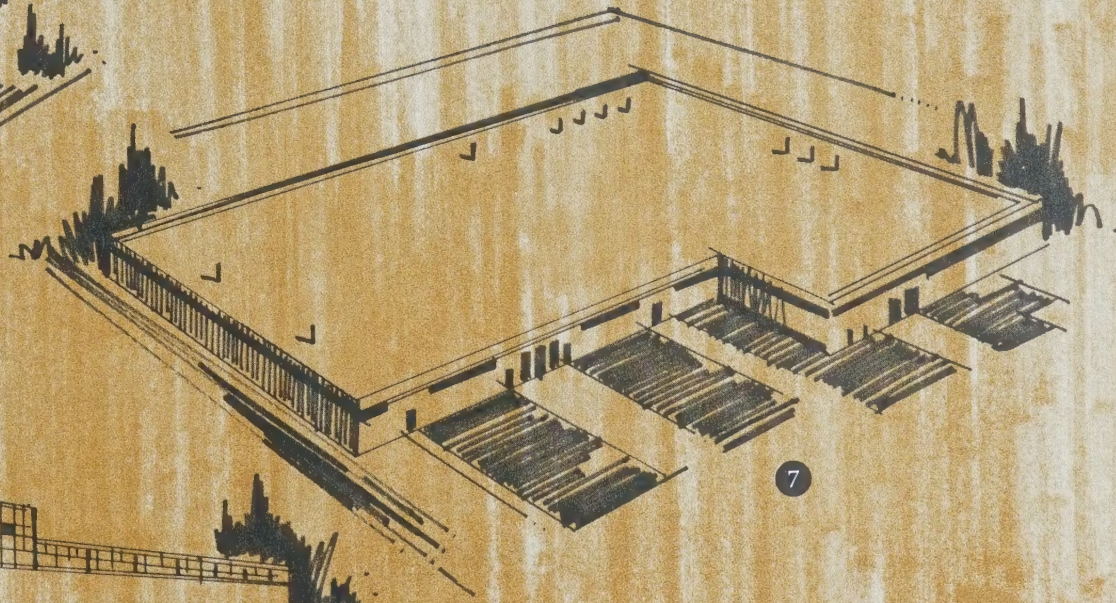


The plant facilities illustrated below represent 785,000 square feet of manufacturing space. Total number employed is 1,720 with an annual payroll of \$10,200,000.00

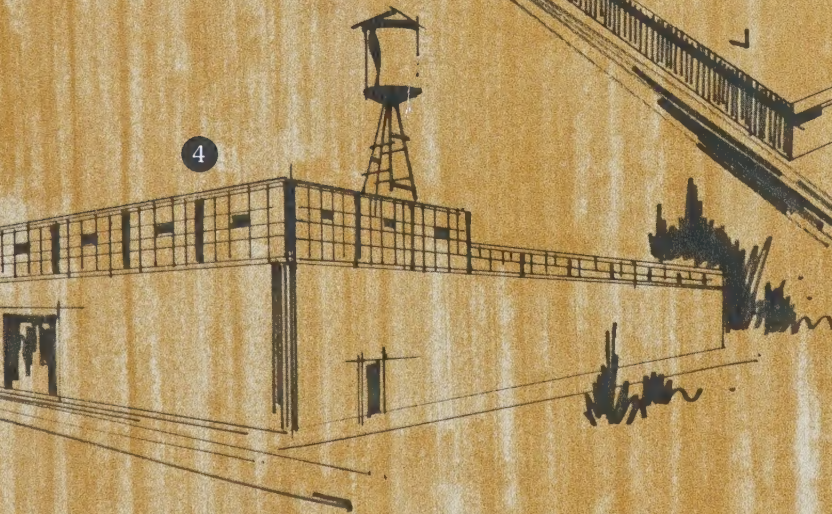
1. Lacolle 2. Oshawa 3. Gananoque
4. Gananoque 5. Chatham 6. Chatham
7. Milton 8. Toronto



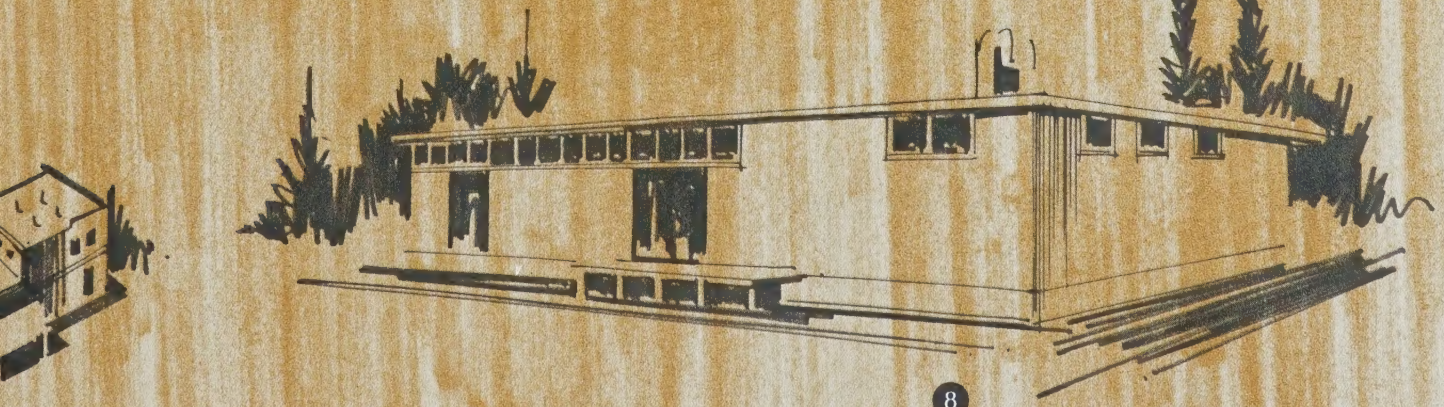
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Consolidated Balance Sheet

as at December 31, 1966

(with comparative amounts at December 31, 1965)

Assets

Current Assets

	1966	1965
Cash	\$ 135,857	\$ 52,441
Accounts receivable, less provision for doubtful accounts	5,473,859	6,056,410
Inventories — valued at the lower of cost or market		
Raw materials	2,901,500	3,604,351
Work in process	2,272,027	2,469,242
Finished goods	2,015,432	1,488,234
	<u>7,188,959</u>	<u>7,561,827</u>
Prepaid expenses	295,229	262,332
Total Current Assets	<u>13,093,904</u>	<u>13,933,010</u>

Special Refundable Tax..... 114,280

Property, Plant & Equipment

Buildings	4,135,108	4,078,062
Machinery and equipment	11,521,259	10,510,314
	<u>15,656,367</u>	<u>14,588,376</u>
Accumulated depreciation	8,416,229	7,477,128
	<u>7,240,138</u>	<u>7,111,248</u>
Land	121,158	121,158
	<u>7,361,296</u>	<u>7,232,406</u>
	<u>\$ 20,569,480</u>	<u>\$ 21,165,416</u>

Approved on Behalf of the Board:

O. D. COWAN }
BRIAN HEWARD } Directors

Liabilities	<i>Current Liabilities</i>	1966	1965
	Accounts payable and accrued liabilities	\$ 3,181,982	\$ 3,723,304
	Taxes on income	563,218	1,124,954
	Dividends payable —		
	Preferred	6,305	6,305
	Common	440,880	360,720
	Total Current Liabilities	4,192,385	5,215,283
	 <i>Bank Loans Due March 1, 1968</i>	3,100,000	2,500,000
	<i>Advance from Associate Company</i>	—	1,916,191
	<i>Deferred Income Taxes</i>	1,339,580	1,160,769
	 <i>Shareholders' Equity</i>		
	Capital stock —		
	Authorized —		
	3,603 7% cumulative preferred shares of the par value of \$100.00 each		
	1,433,820 common shares without nominal or par value		
	Issued and fully paid —		
	3,603 preferred shares	360,300	360,300
	801,600 common shares	1,363,110	1,363,110
		1,723,410	1,723,410
	Retained earnings	10,214,105	8,649,763
		11,937,515	\$ 10,373,173
	 Commitment — pension plans unfunded past service costs approx- imate \$1,298,000. Plans are being funded over periods not exceeding 23 years.	 \$ 20,569,480	 \$ 21,165,416

Statement of Consolidated Earnings

for the year ended December 31, 1966

	1966	1965
Net Sales	\$ 47,043,234	\$ 46,105,154
Costs and Expenses:		
Cost of Products Sold	40,886,995	40,136,950
Selling, Administrative and General Expenses	<u>1,351,471</u>	<u>1,167,072</u>
	<u>42,238,466</u>	<u>41,304,022</u>
Earnings before Income Taxes	4,804,768	4,801,132
Provision for Income Taxes	<u>2,293,365</u>	<u>2,486,894</u>
Earnings for the year	<u>\$ 2,511,403</u>	<u>\$ 2,314,238</u>
The following items have been charged before determining the above earnings:		
Depreciation	\$ 1,003,915	\$ 840,748
Executive remuneration	179,600	160,188
Directors' fees	5,730	6,084
Legal fees	6,608	7,657
Loan interest	156,244	136,063
Past service portion of pension costs	83,028	61,069

Statement of Consolidated Retained Earnings

for the year ended December 31, 1966

	1966	1965
Balance at January 1	\$ 8,649,763	\$ 7,202,426
Earnings for the year	<u>2,511,403</u>	<u>2,314,238</u>
	11,161,166	9,516,664
Dividends		
Preferred — \$7.00 per share	25,221	25,221
Common — 1966, \$1.15 per share — 1965, \$1.05 per share . . .	<u>921,840</u>	<u>841,680</u>
	947,061	866,901
Balance at December 31	<u>\$ 10,214,105</u>	<u>\$ 8,649,763</u>

Auditors' Report to the Shareholders

Ontario Steel Products Company, Limited

We have examined the consolidated financial statement of Ontario Steel Products Company, Limited and its subsidiaries for the year ended December 31, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of earnings and retained earnings present fairly the consolidated financial position of Ontario Steel Products Company,

Limited and its subsidiaries at December 31, 1966, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, it is our opinion that the accompanying statement of consolidated source and use of funds presents fairly the information set forth therein.

ERNST & ERNST
Chartered Accountants

January 6, 1967

Statement of Consolidated Source and Use of Funds

for the year ended December 31, 1966

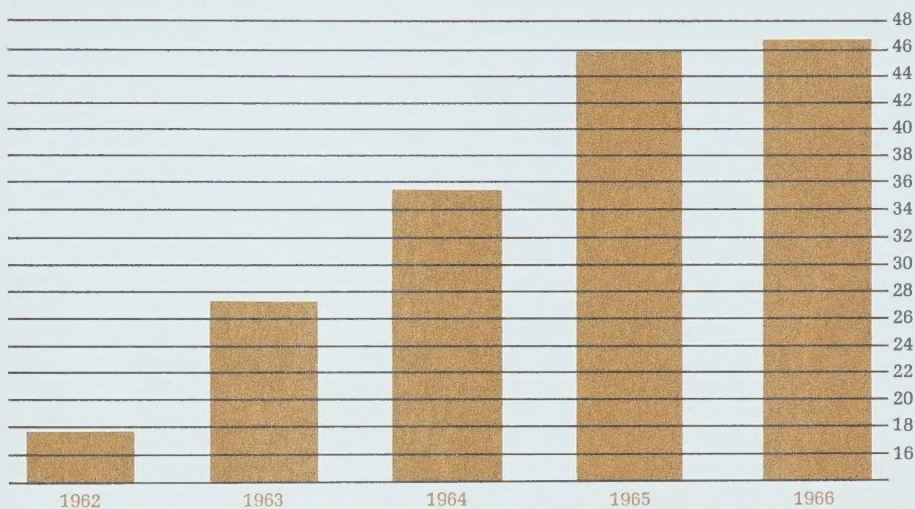
Source of Funds

Funds derived from operations —		
Earnings for the year	\$ 2,511,403	
Non-cash items included in earnings		
Provision for Depreciation	1,003,915	3,515,318
Increase in deferred income taxes		178,811
Increase in bank loans		600,000
		<u>\$ 4,294,129</u>
 <i>Use of Funds</i>		
Dividends	\$ 947,061	
Purchase of fixed assets less carrying value of disposals	1,132,805	
Reduction in advance from associate company	1,916,191	
Special refundable tax	114,280	4,110,337
<i>Increase in Working Capital</i>		<u>\$ 183,792</u>

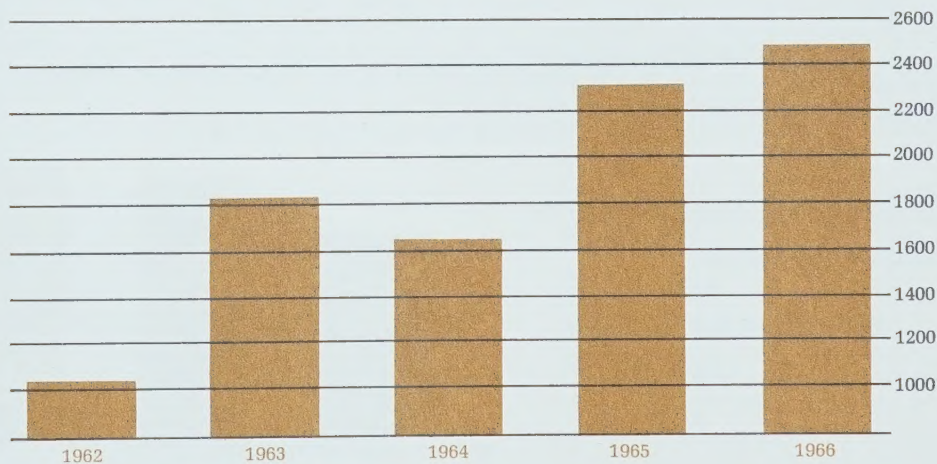
	1966	1965	INCREASE (DECREASE)
Current Assets	\$ 13,093,904	\$ 13,933,010	\$ (839,106)
Current Liabilities	4,192,385	5,215,283	(1,022,898)
Working Capital	<u>\$ 8,901,519</u>	<u>\$ 8,717,727</u>	<u>\$ 183,792</u>

Your Company has enjoyed five years of exceptional growth and progress. The following charts graphically show the expansion of operations and the effect of such expansion on its earnings and financial position.

SALES
in millions of dollars

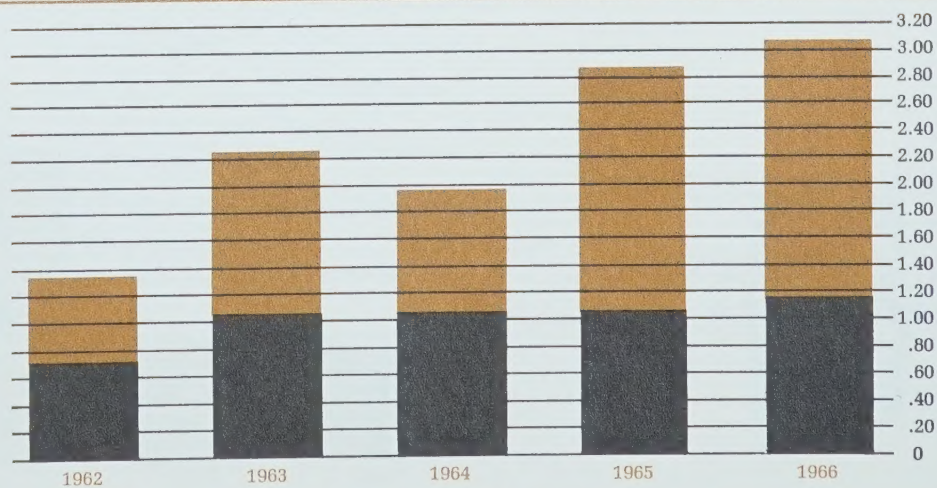


NET INCOME
in thousands of dollars

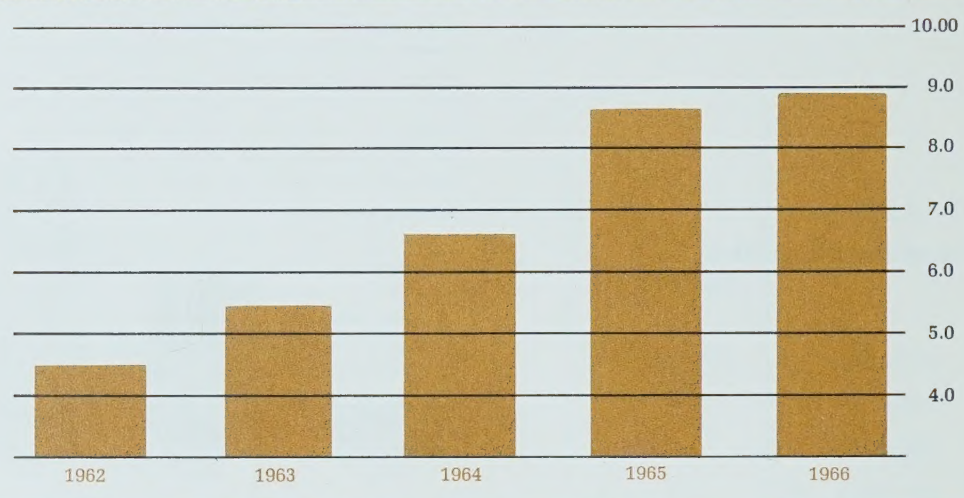


NET INCOME
per Common Share

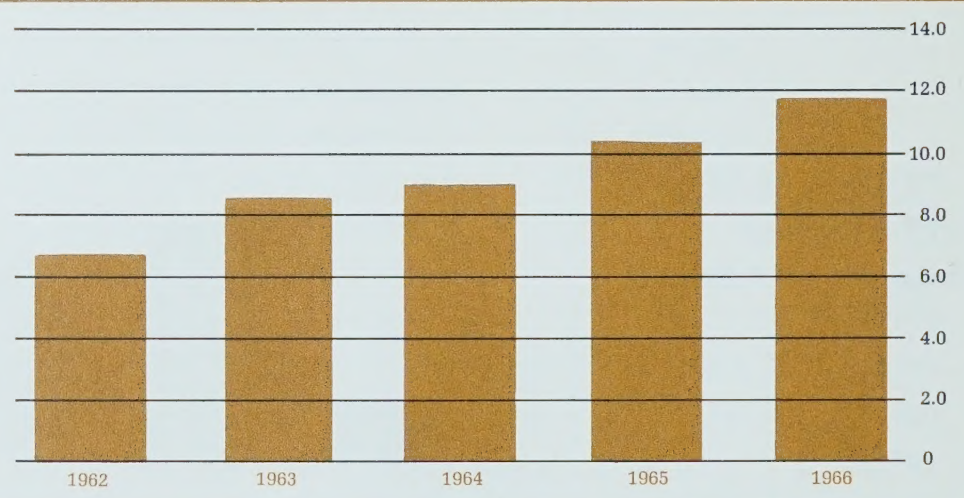
DIVIDENDS
per Common Share



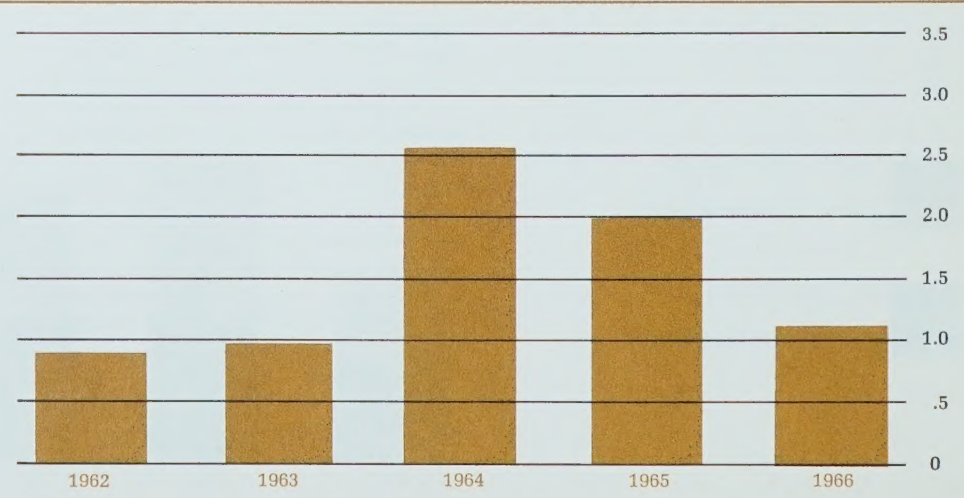
WORKING CAPITAL
in millions of dollars

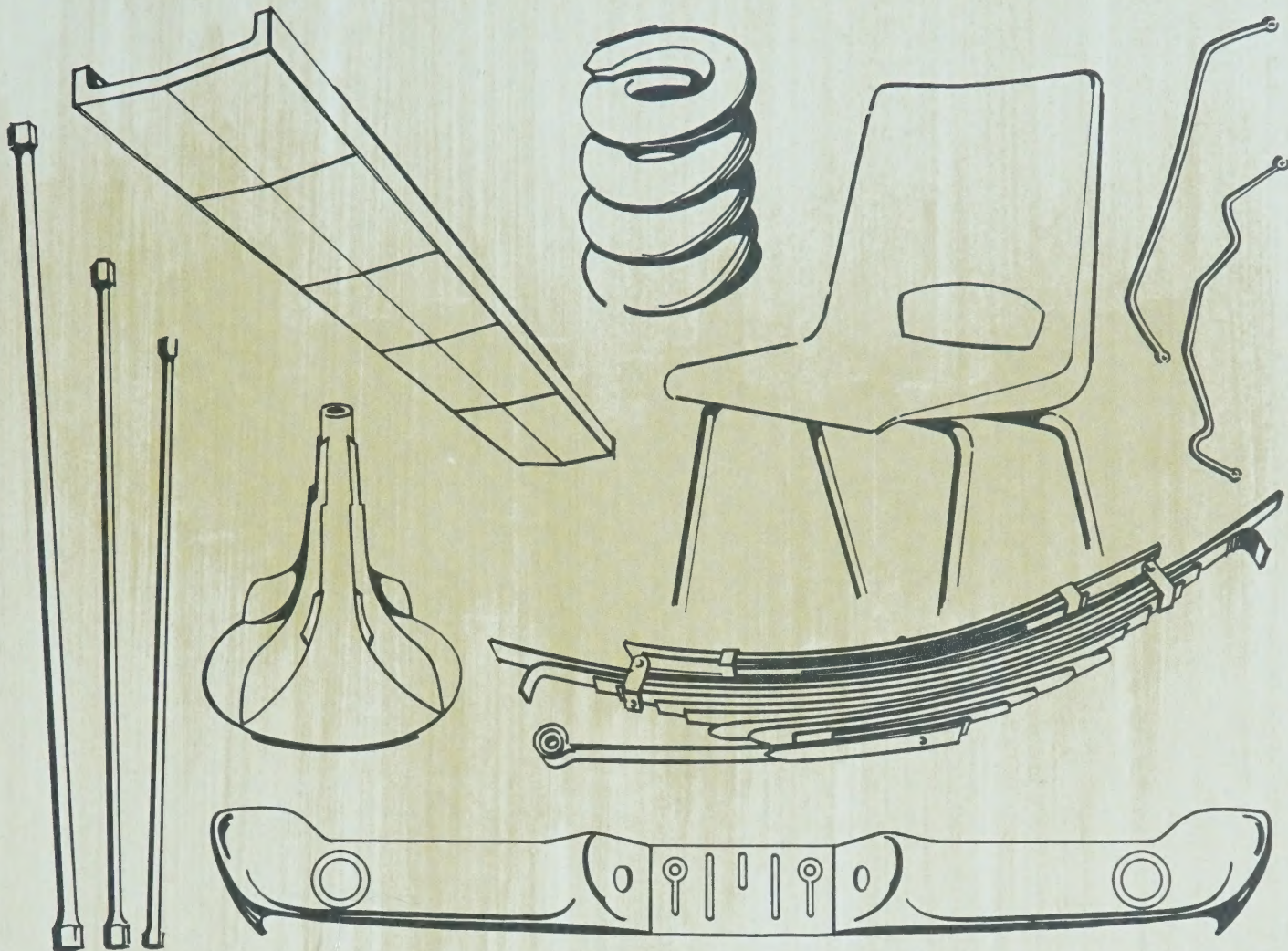


SHAREHOLDERS' EQUITY
in millions of dollars



NEW INVESTMENT
IN PLANT
AND EQUIPMENT
in millions of dollars





Automotive products

Chassis Springs—both flat and coil
—for automobiles, trucks, buses and snowmobiles

Torsion Bars and Struts

Bumpers

Stampings

Plastic Lenses, Medallions, Knobs,
Arm Rests, Ornaments and other
miscellaneous parts

Consumer market products

Metals

Large and small, shallow and deep-
drawn steel stampings

Plastics

Injection moulded plastics of a wide
variety, including parts for
telephones, refrigerators, radios, etc.

Extruded plastics, water stops, and
custom sections as required

Double-shot moulding and
triple-shot moulding

Vacuum metallizing for decorative
and functional parts

Railroad and industrial products

Coil Springs

Elliptical and Flat Springs

Rail Anchors



